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Telephony

MAY 18, 1987

COVERING TELECOMMUNICATIONS SINCE 1901

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COVER

A CPE Network and Centrex: A Hands-On Guide to a Perfect Match

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NEWS

Small telcos seek
data on RTB loans

LeBow to merge WU,
ITT telex units

ISDN numbering forum
fails to reach accord

Residential users win
with latest AT&T rate cut

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TOP HEADLINES

- Small telcos seek data on RTB loans 13
- Bell Canada buys into Memotec 13
- AT&T trims 4.3% in latest rate cut 13

WASHINGTON NEWS

- Commenters tear into MFJ plan 16
- Rural programs hinge on final budget 16
- State lawmakers join SLC fight 16

NEWS OF THE WEEK

- LeBow to merge W/U, ITT unit 30
- ISDN Numbering Forum flounders 30
- COMSAT merger fading fast 30

AS WE SEE IT

- Free Project Victoria**
FCC policies designed to maintain a fair playing field are stifling the implementation of new technology 43

DEPARTMENTS

- Advertisers' Index 128
- Meetings 11
- Moving Around Industry 112
- New Products and Services 90
- News of the Week 30
- Plant Man's Notebook 88
- Top Headlines 13
- Washington News 16
- The Way We Were 130

CPE MARKET APPLICATION

- Making a CPE Network Fit Behind Centrex**
By Dennis Brubaker. Workers at West Virginia's state Department of Workers Compensation now are more accessible thanks to a new key system used to back up Centrex lines 44

ISDN TECHNOLOGY

- Making the ISDN Work**
By Marcie G. Walker and Robert A. Hess. D-channel signaling is crucial to the success of ISDN. Here's a nuts and bolts look at this transmission technology 52
- The Basic Rate Interface and ISDN Terminals**
By William H. Chriss and Gerald S. Soloway. The basic rate interface opens the ISDN door 62

MARKETING

- The Power Shifts to MIS Managers**
By Czardana Inan and Sandra Williamson. A study of 72 Fortune companies reveals the identity of the real decision-makers 70

LOCAL LOOP TECHNOLOGY

- Reconfigure in a Flash!**
By Steven S. Cheng and Liang T. Wu. A new fiber hub switch allows rapid network reconfiguration to meet changing customer demands 76

REPORT

- Pacific Bell Stages Another Winner**
By Lloyd F. (Frank) Brisk. Vendor enthusiasm was at a peak at Pacific Bell's 1987 Operations Conference and Vendor Exhibit 82

Decisionmaking in the '80s

The Power Shifts to MIS Managers

CZATDANA INAN, DIRECTOR OF RESEARCH,
AND SANDRA WILLIAMSON, TECHNICAL EDITOR

IN MAJOR corporations today, the most important decisions about telecommunications are no longer being made by telecom managers. The new seat of power resides in management information services divisions where managers with data—rather than voice—experience are becoming the new communications gurus.

This finding was one of the results from a study of 72 Fortune companies conducted by Telephony and Northern Business Information Inc., a New York-based research firm.

The study shows unequivocally that the power of MIS is expanding continually to shepherd the vast new array of corporate information management interests. Indeed, data managers have taken charge and are shaping the future of the corporation in a way that managers of voice communications never could.

This power shift has important implications for local exchange carriers and the unregulated regional holding company subsidiaries gearing up to reach the new decisionmakers.

This fundamental change began in the early 1980s as companies began to shift their workload from centralized mainframes to networks of PC workstations. This placed unprecedented networking potential in user hands and sharpened the corporate focus on distributed information.

The shift also revolutionized the market for high bandwidth services, tipping control of the market to the LECs. The telephone companies read user signals correctly when deploying digital and fiber technology in the public network. As dial tone vendors, they recognized the smart move was to plan new services offering improved transmission quality and user control over a range of network capabilities. They also realized that high bandwidth demand in general and ISDN demand in particular would be driven not by voice but by data.

As a result, the LECs simultaneously began to reposition their

sales efforts to gain the full confidence of corporate MIS influences. Organizational—not vertical—marketing dominates this repositioning.

Organizational marketing requires identifying everything from a customer's business strategy to analyzing where decisions are made in the organizational structure. BellSouth and Ameritech are among the RHCs hitting hard on this concept.

"We are guided by the corporate principles that make the business itself profitable," says Curtis Wall, national accounts marketing coordinator for BellSouth Advanced Systems. "Sales teams learn the company inside and out."

Perry Erhart, senior director of marketing, major accounts for Illinois Bell Communications, explains it another way.

"We are taking a mega industry approach that says all aspects of a business must be evaluated along with the businesses it interacts with," Erhart notes. "That way, there is some understanding of the networking or equipment requirements that the company will have."

In this scenario, specific applications and vertical marketing are secondary. Organizational marketing has profound implications for the LECs which want to ensure long-term profitability and strong cash flows from high bandwidth services.

The Telephony-NBI Survey of Corporate America quantifies the changes that have occurred and brings home the principles of the new corporate power structure.

The study shows that in 93% of service organizations and 63% of industrial companies telecommunications capital planning—voice, data, text and video—is centralized in one group. In 88% of industrials and 80% of service organizations, this group is designated as a corporate cost center under the control of the chief financial officer who reports directly to the

Continued on page 72

Methodology

THE Telephony-NBI Survey of Corporate America, conducted from July through September 1986, contacted 100 headquarters-based telecom groups among Fortune 500 companies. These companies represented a broad cross section of industrial and service organizations, with annual sales of \$600 million to \$40.7 billion.

An extraordinary 70% agreed to spend 45 minutes answering a detailed 12-page questionnaire that probed present and future bandwidth requirements. And 57 of these groups were contacted again by telephone in a follow-up interview.

In addition to assessing bandwidth needs, we did something no one else had done before. Each group was asked to draw on a piece of paper the exact line of command for product and service purchases in their company. The results are a look into the heart of the decisionmaking process.

CEO. This group, now labeled corporate information services more than half the time, is headed by a vice president. Telecommunications typically falls under CIS.

Reporting may or may not be through a director of telecommunications. Invariably, the CIS group includes a manager of telecommunications and, at the same level, managers of network design, network administration, systems software, systems analysis, technical support and data processing operations.

The reasons for this interdisciplinary task force clearly can be attributed to the relentless integration of voice and data and is tied to the new emphasis on corporate networking.

High-speed digital transmission offers economies of scale to organizations with high-traffic volume. Until five years ago, voice and data were generally managed by two separate groups which had little in common in day-to-day practices and goals. Voice tended to be on the administrative side, primarily involved in controlling costs. Transmission cost was a negligible portion of the cost of supporting MIS applications, but data personnel were intensely concerned with transmission quality and downtime. In the past, the loss of a voice line seldom had a noticeable effect on the overall telecommunications function. Data, however, was a different story. When a data line went down, the day's business went down with it.

In a high bandwidth environment, where voice and data are carried on the same links, reliability becomes even more critical. Given this imperative, there is little economic or managerial advantage in having separate control centers for voice and data.

Among Telephony-NBI respon-

dents, 75% indicated that voice and data responsibility was integrated in their companies. By 1990, nearly 100% of these same companies will have integrated voice and data responsibility. When these communications merge, individuals with MIS backgrounds will become the leaders.

Part of the reason for this is in the inherent advantage that MIS has had within the corporation. Because MIS managers have been closer to the strategic planning process, they have benefited from high visibility within the corporation. According to John McManus, director of telecommunications, University of Illinois, voice managers were largely hidden from executives because telephone service just ran unobtrusively.

"Data people were accustomed to being on the line, used to making business cases, organizing projects and implementing technologies," McManus says. "The voice people simply depended on telcos for their backup. They didn't have the skills or the background of the MIS managers who were used to running their own organizations and managing and hiring technical people."

"CEOs want to get dial tone when they pick up the phone," Wall agrees. "They don't necessarily see the other things that the telecom manager is doing because they are not as obvious." Telecom management, he believes, was always more of a coordinating function because the Bell System "would come forth and almost ensure that the manager couldn't make a mistake."

But times have changed. "MIS managers had the edge because they could use a flow chart and check off products they produced that were

useful to the corporation," Wall says.

Although the power of the telecom manager is greatly reduced, the study shows that he or she cannot be discounted totally in the decision-making hierarchy. When a decision-making hierarchy matrix was constructed from the study results, it clearly showed that telecom managers continue to be involved in high-level functions, such as where lines will be installed and how they will be configured. They also are making decisions whenever customer premise equipment interfaces with high-speed lines, usually at the PBX. They have little real power at the corporate level, however, where network issues are settled and purchase decisions are made on turnkey networks.

Significantly, LECs and the hardware and software affiliates of the RHCs and major Independents are currently well-positioned to deliver most capabilities users want and will want in the future. Their future success does not rest on ISDN; most of its features are available today on substitutable services. Their bottom line and biggest risk is that AT&T and IBM may forge stronger alliances with corporate MIS influences, relegating LECs to the transport business.

Data network reliability—transmission quality, customer control, security and cost—is the cornerstone of user concern (Table 1). To profit from this situation, LECs must convince MIS influences they can meet data demand with the same standards voice demand is satisfied. Some may even enter into strategic partnerships with their key customers, the way IBM did with General Motors for the manufacturing automation protocol, or MAP.

LECs will have to position themselves carefully as the virtual networkers of preference. New opportunities that can be sold today as part of almost any bandwidth management package, according to Telephony-NBI respondents, are voice-data PBXs, voice and electronic mail, tandem switches, T-1, local and wide area networks and database access.

Risks are high. But so are the rewards. And the LECs which do become the networkers of preference will be those with the full confidence of the MIS decisionmakers. □

TABLE 1 USER VOICECOM VS. DATACOM CONCERNS

	Of Critical Concern When Evaluating	
	Voicecom	Datacom
Network Reliability	77%	93%
Transmission Quality	61%	86%
Speed	11%	31%
Cost-Effectiveness	56%	53%
Customer Network Control	47%	59%
Security	27%	56%

Source: Telephony-NBI Survey of Corporate America